

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00 EB-07

FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-04 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

FEA-01 INT-05 OES-03 STR-04 /083 W

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R 170913Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2187

C O N F I D E N T I A L MANILA 2320

E.O. 11652: N/A

TAGS: EWWT RP

SUBJECT: U.S. OIL FIRMS UNDER PRESSURE TO USE PNOC TRANKERS

REF: STATE 247329

1. PRESIDENTS OF CALTEX PHILIPPINES (W.C. DUNNING) AND MOBILE PHILIPPINES (R.D. WALES) CALLED ON AMBASSADOR FEBRUARY 13. THEY SAID THEY WISHED TO ADVISE AMBASSADOR THAT THEIR FIRMS HAVE COME UNDER INCREASING PRESSURE BY PNOC PRESIDENT VELASCO TO AGREE TO TRANSPORT THEIR CRUDE FROM PERSIAN GULF IN PNOC TANKERS. VELASCO ARGUES THAT THIS WOULD PERMIT MORE EFFICIENT USE OF PNOC'S OWN SMALL TANKER FLEET; MOREOVER, SINCE PNOC COULD CHARTER NECESSARY ADDITIONAL CAPACITY AT CURRENT LOW SPOT RATE, WHILE CHARGING HIGHER AVERAGE FREIGHT RATES (AFR), WHICH COMPANIES ARE NOW PAYING ANYWAY, PNOC WOULD MAKE PROFIT AT NOT COST TO COMPANIES. VELASCO HAS TOLD COMPANIES THAT GOP DOES NOT WANT TO MANDATE THEIR COMPLIANCE, BUT HAS STRONGLY HINTED THAT PRESSURE WILL BE BROUGHT TO BEAR IN OTHER FORMS AND THAT THIS IS OFFER THEY CAN'T REFUSE.

2. COMPANIES HAVE TAKEN POSITION THAT THEY ARE ALREADY
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COMMITTED ON THEIR CRUDE TONNAGE AND CANNOT COMPLY. THEY

POINTED OUT TO AMBASSADOR THAT COMPLIANCE WOULD SET BAD PRECEDENT; SAUDI ARABIA IN PARTICULAR COULD SEIZE ON IT. RELIANCE SOLELY ON PNOC FLEET WOULD ALSO LIMIT FLEXIBILITY WHICH COMANIES NOW ENJOY TO DIVERT CARGOES TO MEET UNEXPECTED EMERGENCIES. FINALLY, COMPANIES DO NOT EXPECT CURRENT DEPRESSED SPOT RATES TO LAST FOREVER AND CAN FORESEE DAY WHEN ARRANGEMENT WILL NO LONGER BE IN PNOC INTEREST, AT WHICH POINT THEY ARE CONFIDENT THAT VELASCO, WITH EQUAL FLEXIBILITY, WILL ASK THEM TO REVERT TO USING THEIR OWN FLEET. COMPANIES TOLD AMBASSADOR THEY WERE NOT ASKING FOR USG HELP AT MOMENT BUT WISHED HIM TO BE AWARE OF FOREGOING IN EVENT ASSISTANCE SHOULD EVENTUALLY BE REQUIRED.

3. AMBASSADOR SAID HE DID NOT THINK SITUATION WAS YET CRITICAL. VELASCO, WITH PROBABLE TACIT SUPPORT OF PRESIDENT, WILL PRESS AS HARD AS HE CAN BUT PRESIDENT WOULD BE UNLIKELY TO BACK HIM TO POINT OF OPEN CONFRONTATION WITH COMPANIES. AMBASSADOR THEREFORE ENCOURAGED COMPANIES TO RESIST. IN MEANTIME, EMBASSY WOULD BRING MATTER TO ATTENTION OF DEPARTMENT IN EFFORT TO DETERMINE WHAT OUR OPTIONS MIGHT BE. HE POINTED OUT THAT POSITION DIFFERS FROM PREVIOUS SHIPPING PROBLEMS (REFTEL) IN WHICH U.S. COULD AND DID THREATEN RETALIATION. AMBASSADOR ADDED HE DID NOT THINK THAT IT WAS EITHER NECESSARY OR DESIRABLE TO DISCUSS MATTER AT THIS STAGE WITH PRESIDENT. NOT ONLY WOULD IT BE PREMATURE, BUT PRESIDENT IS PROBABLY CASTING ABOUT FOR ADDITIONAL CARDS TO USE IN FORTHCOMING ECONOMIC NEGOTIATIONS AND MIGHT BE TEMPTED TO INCLUDE THIS IN HAND, THUS INJECTING FURTHER COMPLICATION.

4. COMMENT: HARMFUL PRECEDENT THREATENED BY PNOC PROPSAL IS OBVIOUS. EMBASSY WOULD APPRECIATE DEPARTMENT'S COMMENTS, IN PARTICULAR WITH RESPECT TO WHAT OUR OPTIONS MAY BE IN COUNTERING THIS EFFORT. SULLIVAN

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